HUPSTEEL LIMITED
FIRST QUARTER FINANCIAL STATEMENT (UNAUDITED)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the corresponding period of the immediately preceding financial year

The following figures have not been audited or reviewed.

	GROUP (S$'000)		
	1QFY14 30.09.13	1QFY13 30.09.12	% +/(-)
Revenue	33,064	34,974	-5%
Changes in inventories	(13,136)	5,982	NM
Purchases of inventories	(15,073)	(36,232)	-58%
Gross profit	4,855	4,724	3%
Other operating income	442	323	37%
Staff cost	(2,037)	(1,859)	10%
Depreciation	(437)	(462)	-5%
Other operating expenses	(1,997)	(2,039)	-2%
Finance cost - net	29	(293)	NM
Profit before tax	855	394	117%
Income tax expense	(145)	(67)	116%
Total profit	710	327	117%
Other comprehensive income/(expenses):			
Currency translation differences arising from consolidation	(159)	(13)	1123%
Financial assets, available-for-sale			
- Fair value (loss)/gain	(270)	128	NM
- Reclassification	145	-	NM
Total comprehensive income	426	442	-4%
Profit attributable to Equity holders of the Company	710	327	117%
Total comprehensive income attributable to Equity holders of the Company	426	442	-4%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	0.11	0.05	
- Diluted (cent) - see section 6	0.11	0.05	

NM : Not meaningful

Net profit attributable to shareholders is arrived at after (charging) / crediting the following:

	GROUP (S$'000)	
	1QFY14 30.09.13	1QFY13 30.09.12
Dividend income	18	52
Interest income	215	209
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	145	-
Foreign exchange loss	(300)	(125)
Finance cost-net is made up of :		
Interest expense	(54)	(104)
Foreign exchange gain/(loss) arising from borrowings – trust receipts	83	(189)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	30.09.2013	30.06.2013	30.09.2013	30.06.2013
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	50,213	48,547	19,423	24,298
Trade and other receivables	47,438	50,161	8,315	8,813
Derivative financial instruments	-	3	-	-
Inventories	51,711	64,847	23,995	26,593
Other current assets	344	153	149	74
Due from subsidiaries	-	-	9,831	8,812
Loan to a subsidiary	-	-	10,155	10,118
	149,706	163,711	71,868	78,708
Non-Current Assets				
Available-for-sale financial assets	16,422	16,084	16,422	16,084
Investment in club membership	43	43	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,046	36,303
Property, plant and equipment	25,529	25,986	224	242
Investment properties	13,772	13,567	6,610	6,382
Goodwill	4,630	4,630	-	-
Deferred income tax assets	-	-	167	167
	60,396	60,310	68,926	68,635
Total Assets	**210,102**	**224,021**	**140,794**	**147,343**
Current Liabilities				
Trade and other payables	7,254	14,984	3,473	6,639
Current income tax liabilities	554	390	421	200
Derivative financial instruments	44	-	-	-
Borrowings	393	3,679	393	1,355
Dividend payable	-	3,096	-	3,096
	8,245	22,149	4,287	11,290
Non-Current Liabilities				
Provision for directors' retirement gratuity	928	916	928	916
Deferred income tax liabilities	106	106	-	-
	1,034	1,022	928	916
Total Liabilities	**9,279**	**23,171**	**5,215**	**12,206**
Net Assets	**200,823**	**200,850**	**135,579**	**135,137**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(2,418)	(1,965)	(2,418)	(1,965)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,004)	(845)	-	-
Fair value reserves	190	315	190	315
Retained profits	97,047	96,337	28,892	27,872
	200,823	**200,850**	**135,579**	**135,137**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand (S$'000)

As at 30.9.2013		As at 30.6.2013	
Secured	Unsecured	Secured	Unsecured
-	393	-	3,679

Amount repayable after one year (S$'000)

As at 30.9.2013		As at 30.6.2013	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The unsecured group borrowings and debt securities consist of trust receipts of the Group arising from the ordinary course of business and bank borrowings. Certain Group borrowings are covered by corporate guarantee from the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group (S$'000)	
	1QFY14 30.09.13	1QFY13 30.09.12
Cash flow from operating activities		
Total profit	710	327
Adjustments for :		
- Income tax expense	145	67
- Property, plant and equipment and investment properties		
- Depreciation	437	462
- Available-for sale financial assets		
- Reclassification from other comprehensive income on disposal	(145)	-
- Interest income	(215)	(209)
- Interest expense	54	104
- Dividend income	(18)	(52)
	968	699
Change in working capital		
- Inventories	13,136	(5,982)
- Trade and other receivables	2,723	15,145
- Derivative financial instruments	47	181
- Trade and other payables	(7,730)	(10,309)
- Provision for directors' retirement gratuity	12	12
- Other current assets	(191)	(636)
Cash provided by/(used in) operations	8,965	(890)
Income tax refund/(paid)	19	(264)
Interest received	215	209
Net cash provided by/(used in) operating activities	9,199	(945)
Cash flows from investing activities		
Property, plant & equipment :		
- Purchases	(185)	(128)
Financial assets, available-for-sale		
- Purchases	(1,989)	(3,806)
- Proceeds from disposal	1,671	-
Dividends received	18	52
Net cash used in investing activities	(485)	(3,882)
Cash flows from financing activities		
Purchase of treasury shares	(453)	-
Proceeds from trust receipts	8,947	44,037
Repayment of trust receipts	(12,233)	(52,499)
Dividend paid to shareholders	(3,096)	-
Interest paid	(54)	(104)
Net cash used in financing activities	(6,889)	(8,566)
Net increase/(decrease) in cash and cash equivalents	1,825	(13,393)
Cash and cash equivalents at beginning of the financial period	48,547	61,759
Effects of currency translation on cash and cash equivalents	(159)	(13)
Cash and cash equivalents at end of the financial period	50,213	48,353

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Group	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2013	107,485	(1,965)	(477)	(845)	315	96,337	200,850
Purchase of treasury shares	-	(453)	-	-	-	-	(453)
Total comprehensive (loss)/income for 1st quarter	-	-	-	(159)	(125)	710	426
At 30 September 2013	**107,485**	**(2,418)**	**(477)**	**(1,004)**	**190**	**97,047**	**200,823**
Group							
At 1 July 2012	107,485	(1,335)	(1,216)	(850)	902	100,005	204,991
Total comprehensive (loss)/income for 1st quarter	-	-	-	(13)	128	327	442
At 30 September 2012	**107,485**	**(1,335)**	**(1,216)**	**(863)**	**1,030**	**100,332**	**205,433**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2013	107,485	(1,965)	1,430	-	315	27,872	135,137
Purchase of treasury shares	-	(453)	-	-	-	-	(453)
Total comprehensive (loss)/income for 1st quarter	-	-	-	-	(125)	1,020	895
At 30 September 2013	**107,485**	**(2,418)**	**1,430**	**-**	**190**	**28,892**	**135,579**
Company							
At 1 July 2012	107,485	(1,335)	707	-	902	30,502	138,261
Total comprehensive income for 1st quarter	-	-	-	-	128	628	756
At 30 September 2012	**107,485**	**(1,335)**	**707**	**-**	**1,030**	**31,130**	**139,017**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Under the Share buyback mandate approved by shareholders the Company purchased a total of 2,025,000 shares for $453K by way of on market purchase on the Singapore Exchange Securities Trading Limited during the financial year.

Treasury Shares	No. of shares	$'000
Balance as at 30 Jun 2013	8,196,000	1,965
Purchases	2,025,000	453
Balance as at 30 Sep 2013	10,221,000	2,418

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.09.13	30.06.13
Number of shares in issue	617,149,610	619,174,610

(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the end of the current financial period reported on.

Not applicable. None of the above occurred since the end of the previous period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The same accounting policies and methods of computation as in the most recently audited financial statements have been applied.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable, there were no such changes.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	GROUP	
	1QFY14 30.09.13 (Note 1)	1QFY13 30.09.12
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	0.11	0.05
(b) Diluted (cent)	0.11	0.05

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 617,419,175 (30.09.12: 621,949,610) in issue during the period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	GROUP		COMPANY	
	30.09.13	30.06.13	30.09.13	30.06.13
Net Asset Value per ordinary share (cents)	32.54	32.44	21.97	21.83

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 617,149,610 at the end of the period (30.06.13:619,174,610).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Revenue and margin

	$'000		
	1QFY14	*4QFY13*	*1QFY13*
Revenue	33,064	32,907	34,974
Gross Profit	4,855	5,404	4,724
GP %	*14.7%*	*16.4%*	*13.5%*

The Group's 1QFY14 revenue of $33.1M was comparable to 4QFY13 revenue of $32.9M and only declined 5% from $35.0M reported for 1QFY13. The lower revenue when compared to a year ago was mainly due to weaker demand for structural steel products.

Gross profit rose from $4.7M in 1QFY13 to $4.9M in 1QFY14. Gross profit margin of 14.7% for 1QFY14 was higher than the 13.5% achieved in 1QFY13 as the Group continued to focus on higher margin spot sale for its structural steel products. However, gross profit margin for 1QFY14 was lower when compared with 16.4% for 4QFY13 due to intense competition.

Other operating income

Other operating income for 1QFY14 rose to $442K from $323K for 1QFY13 mainly due to higher interest income received and profit from disposal of some of the available-for-sale financial assets.

Staff costs, Depreciation, Other operating expenses and Finance cost

Manpower costs in 1QFY14 increased to $2.0M from $1.9M in 1QFY13 due to higher incentives provided.

During the period, depreciation dipped slightly to $437K from $462K in 1QFY13 as existing structures at 6 Kim Chuan Drive was written off to make way for redevelopment.

Other operating expenses for 1QFY14 was $2.0M (1QFY13: $2.0M). Included in these expenses was an exchange loss of $300K arising from the revaluation of assets denominated in foreign currencies compared with a corresponding exchange loss of $125K in 1QFY13.

Finance cost - net for 1QFY14 was made up of interest expense of $54K (1QFY13: $104K), exchange gain of $83K (1QFY13: $189K exchange loss) resulting in a net gain of $29K compared with a net loss of $293K for 1QFY13.

Profitability review

Total profit after tax for 1QFY14 increased to $710K from $327K in 1QFY13. The higher profit was mainly attributed to the better gross profit margin achieved, higher other operating income and lower expenses.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Non current assets

The increase in available-for-sale financial assets to $16.4M (FY13: $16.1M) was due to acquisition of marketable bonds and equities.

Current assets and current liabilities

Trade and other receivables fell to $47.4M from $50.2M in tandem with the reported lower turnover achieved in the quarter.

The Group continued to exercise caution in inventory replenishment and sales were made from its current inventory holding. Hence, inventory balance decreased to $51.7M from $64.8M.

Trade and other payables declined to $7.3M from $15.0M with the Group purchasing less during the quarter.

The decrease in borrowings was mainly due to the Group's strong cash position that allowed it to pay its liabilities early and to minimise interest expenses. Borrowings stood at $0.4M as at 1QFY14 as compared with $3.7M as at 4QFY13.

Share capital and reserves

Fair value reserves decrease to $190K from $315K due to lower market values of the Group's available-for-sale financial assets during the quarter.

Cashflow

During the quarter, the Group received positive cash inflow of $9.2M (FY13:$0.9M cash outflow) from its operations while having net cash outflow from investing activities of $0.5M (FY13: $3.9M) and financing activities of $6.9M (FY13: $8.6M) as a result of acquiring more available-for-sale financial assets and paying down its borrowings respectively.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or a prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Although the US restarted its public services after shutting down for more than a week and averted a debt default crisis by extending debt ceiling to early next year, the lack of a comprehensive resolution will continue to fill the market with uncertainities in the coming months.

The Group expects demand for steel products to remain weak in the coming months due to the year end holidays and may only see activities picking up after Chinese New Year.

US dollar has weakened as a result of the US decision of not tapering the asset purchasing programme in September which is helpful in keeping inventories costs manageable. However It may not benefit the Group much as it needs to adopt a cautious purchasing strategy with market demand expected to remain soft in the coming months.

The Group is closely monitoring its operation costs and stock level so that it will be responsive in meeting customers' needs while remaining cost effective.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no IPT transaction for the quarter and the Group does not have any general mandate from shareholders pursuant to Rule 920.

BY ORDER OF THE BOARD
Low Geok Eng, Susie
Company Secretary
4 November 2013

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited

We, Lim Kim Thor and Lim Boh Chuan being two directors of HUPSteel Limited ("the Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1QFY14 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO/MD
4 November 2013

Lim Boh Chuan
Deputy MD